

Fairfax County Economic Index

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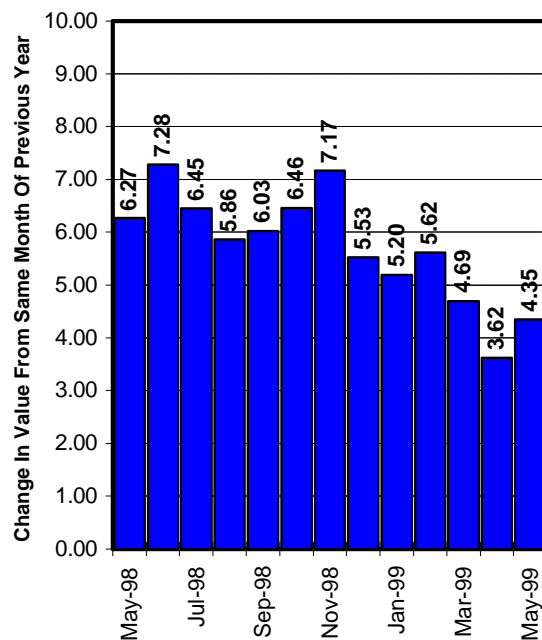
Economic Indicators Point To Slower Future Growth

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, registered 120.3 in May, down 0.63 percent, and has now declined for the second month in a row. After starting off the year with three consecutive monthly increases, the Coincident Index has now lost most of these earlier gains. Still, for the last 12 months, it is up a strong 3.75 percent. In May, three of the Index's four components were negative.

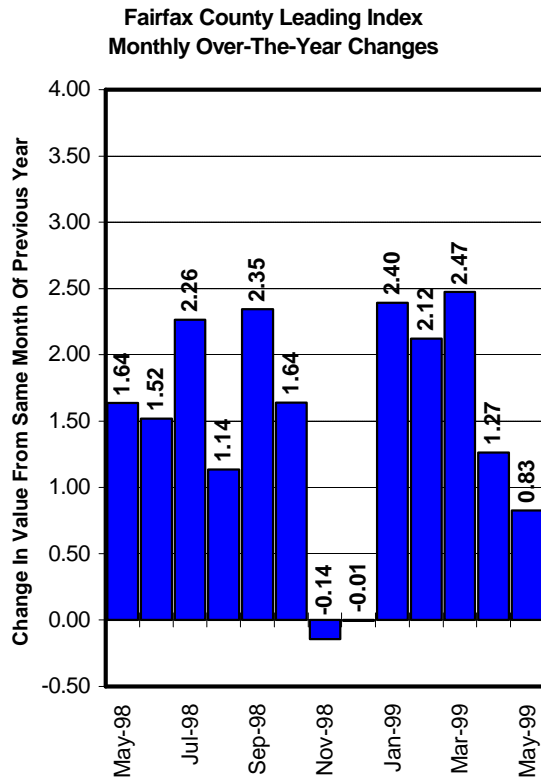
- Total employment declined (grew less than in April) for the first time this year;
- Sales tax receipts, adjusted for inflation and seasonal variation, decreased for a second month in a row; and
- Consumer confidence fell for a second month after having peaked in March; while
- Transient Occupancy Tax collections, adjusted for inflation and seasonal variation, were up after having decreased in March and April.

The **Fairfax County Leading Index**, which is designed to forecast the performance of

Fairfax County Coincident Index
Monthly Over-The-Year Changes



Source: Mason Enterprise Center, George Mason University
the County's economy 9 to 12 months in advance, decreased to 105.67 in May, losing 0.63 percent. The Leading Index was also down in April and February and now stands slightly below its value at the beginning of the year. For the past 12 months, however, it continues to have a positive trend gaining 0.79 percent over this



Source: Mason Enterprise Center, George Mason University

period. In May, three of the Index's five components were negative.

- Consumer expectations (consumer confidence six months hence) declined for a second month;
- Residential building permits were down sharply and have declined in three of the past four months; and
- The total value of residential permits decreased for the third time in four months; while
- New automobile registrations increased in May offsetting their April decline; and
- Initial claims for unemployment insurance decreased (improved) for the fourth time in five months.

Both the Coincident and Leading Indices are down for two months but these decreases are not signaling a turning point. Rather, their patterns of performance and those of many of their components are pointing to a slowing of the growth rate after gains in the first quarter improved upon 1998's strong performance.

CURRENT CONDITIONS

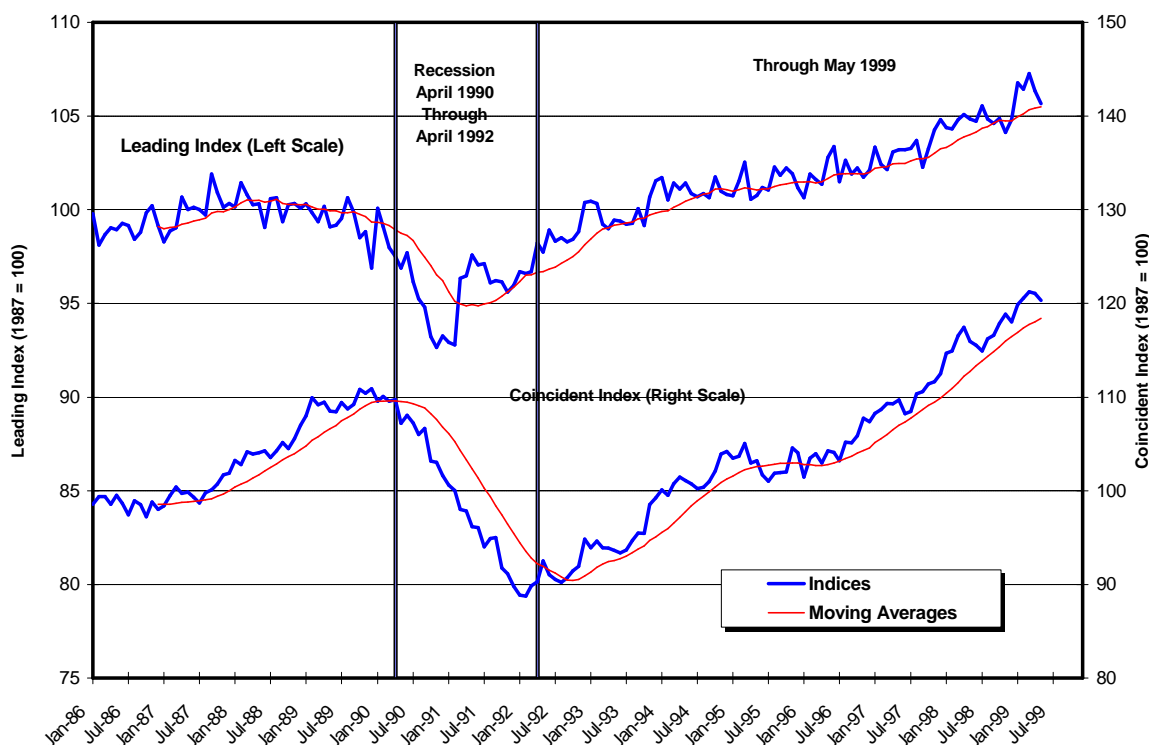
The County's economy continues to demonstrate its strength. The economy added jobs over the past 12 months at the annualized rate of 5.1 percent. This compares favorably to the 2.9 percent employment gain for the entire metropolitan area. Unemployment remains low at 1.5 percent and demand for labor has not shown any sign of slackening. With initial claims for unemployment insurance dropping over the past two months and the Help Wanted Index for the region up in both April and May, it is clear that the labor market remains very tight.

There are other signs, however, that suggest that consumer spending may have softened slightly in the second quarter and will continue to weaken slowly over the remainder of the year. Consumer confidence is down slightly from its all-time peak reached in March. Also, consumer expectations were down the past two months; that is, consumer confidence six months hence is less optimistic than at present.

Consumer spending tracks consumer confidence quite closely. In Fairfax County, May's sales tax receipts, on a seasonally adjusted basis, were down 3.5 percent from April. Still, they were up a strong 13.5 percent from May 1998 while area-wide retail sales were up 7.1 percent for this same period. Auto sales also bounced back in May and were well ahead of last year's level. But, on a month-over-month basis, auto sales have been down in three of the year's first five months.

New home sales in Fairfax County, while up 8.4 percent for the first five months, are not

Business Cycle Indicators -- Fairfax County, Virginia



Source: Mason Enterprise Center, George Mason University

growing as fast as they are area-wide, where sales are 14.2 percent ahead of 1998 for the first five months. This slower growth rate may be further impacted by the slowdown in residential building permits. The number of new permits has declined in three of the last four months after an extremely strong increase in January. They are also running slightly behind same-month levels in 1998.

NEAR-TERM OUTLOOK

Future consumer spending could be constrained by more than a slight softening of consumer confidence. Interest rates have been increasing slowly since the beginning of the year. Fixed rates for home mortgages are up 0.75 points since January and are the highest now in two years. This interest rate increase preceded the Federal Reserve Board's June 30 quarter-point rate increase. And, rates are expected to move up further in coming months and, with these increases,

consumer spending will likely slow. Also, the record high consumer debt load may dampen spending going forward. In addition to slower consumer spending, the tight labor market may slow the County's high growth rate as labor shortages and increasing wage rates impact key economic sectors.

These conditions are likely to be reinforced by Y2K concerns that could further undercut consumer confidence and cause disruptions for some businesses and public services. The modest deceleration in economic growth that is suggested by these recent trends should be viewed positively as it will enable the economy to correct distortions and overcome imbalances that could threaten the expansion. These adjustments should smooth the way for extending the County's economic expansion into the next decade.

www.co.fairfax.va.us/comm/economic/economic.htm

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	May-99 Prelim.	Apr-99 Final	May-98 Final	Apr-99 to May-99	May-98 to May-99
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	120.30	121.06	115.95	-0.63	3.75
Leading Index (1987 = 100)	105.67	106.35	104.85	-0.63	0.79
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	501,427	502,813	477,189	-0.28	5.08
<i>Total Covered Employment (Unadjusted)</i>	<i>502,039</i>	<i>499,077</i>	<i>477,772</i>	<i>0.59</i>	<i>5.08</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	334	316	327	5.53	2.13
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>474</i>	<i>422</i>	<i>453</i>	<i>12.25</i>	<i>4.64</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,712	7,992	6,793	-3.50	13.54
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>9,786</i>	<i>9,798</i>	<i>8,551</i>	<i>-0.12</i>	<i>14.44</i>
South Atlantic Consumer Confidence	173	179	176	-3.30	-1.76
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,818	5,658	5,300	2.83	9.78
<i>Automobile Registrations (Unadjusted)</i>	<i>6,422</i>	<i>5,562</i>	<i>5,850</i>	<i>15.46</i>	<i>9.78</i>
Initial Unemployment Claims (Seasonally Adjusted)	547	650	530	-15.88	3.09
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>501</i>	<i>644</i>	<i>486</i>	<i>-22.20</i>	<i>3.09</i>
South Atlantic Consumer Expectations	109.7	113.0	118.7	-2.92	-7.58
Residential Building Permits (Number of Units, Seasonally Adjusted)	448	971	452	-53.90	-1.05
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>472</i>	<i>1,013</i>	<i>477</i>	<i>-53.41</i>	<i>-1.05</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	36,968	46,312	27,008	-20.18	36.88
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>57,379</i>	<i>74,815</i>	<i>40,913</i>	<i>-23.31</i>	<i>40.25</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	542,380	544,757	535,666	-0.44	1.25
<i>Total Labor Force (Unadjusted)</i>	<i>545,084</i>	<i>539,805</i>	<i>533,009</i>	<i>0.98</i>	<i>2.27</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.48	1.49	1.72	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.36</i>	<i>1.46</i>	<i>1.60</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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